

Reading a District Budget

BY MICHELE MCNEIL

Every school budget tells a story—about a district's spending plan, its priorities, goals, and financial health. The challenge is to wade through the jargon and numbers to unlock that story. Although budgets can vary significantly from district to district, and state to state, this primer seeks to introduce reporters to the fundamental components of a district's spending plan, offer tips for making sense out of a sea of numbers, and suggest questions that could lead to important stories.

Budget Basics

Just as there are two sides to every story, there are two sides to every budget: revenue, or money coming in, and expenditures, or money going out.

There are also two major funds in every budget. The general operating fund pays for the day-to-day expenses of running schools, such as teacher salaries and textbooks. The capital fund pays for new school buildings, renovations, and major maintenance projects.

State and **local** tax dollars make up the largest chunk of revenue, and pay the bulk of general school operations.

Federal tax dollars only account for an average of 10 percent of a district's revenue, and are earmarked for specific things. The largest federal grants are for disadvantaged students (via the federal Title I program) and special education students (via IDEA, or the Individuals with Disabilities Education Act).

"**Other**" revenue represents a minuscule amount, and can include everything from fees parents pay to money raised through fundraisers.

What districts may have more control over is how much money they are able to generate for their capital project funds. Any capital funds must remain completely separate from the general operating budget. Although this too can vary from state to state, districts primarily have to get approval from local voters to raise local property taxes to pay for building projects.

Revenue

Virtually every school district has four sources of revenue for its general operating budget:

Local TAX DOLLARS	State TAX DOLLARS	Federal TAX DOLLARS	"Other"
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Individual districts often have very little control over how much money they receive from local, state, and federal sources to fund the day-to-day operations of their schools.

The process of getting approval of school bond issues can be a controversial one, so it's worth looking at who is in favor of and who is fighting the proposal. If the bond issue is approved, examine which contractors are chosen to help manage and build the project—and whether they were active in the campaign to get the bond issue approved in the first place.

Expenditures

Within the operating budget, the majority of spending—up to 90 percent or so—is considered nondiscretionary because the district has little to no flexibility in paying those expenses. This would include teacher salaries, which are often set by a contract negotiated between the teachers' union and the district. Health insurance for employees is often a required expense. So is paying the electric bill and other utilities.

The little money left over, typically 10 percent or so, is discretionary, which means the district has wide latitude in how to spend it. This money typically pays for textbooks, supplies, contracts for consultants, general maintenance, and transportation.

Certainly, there are ways districts might seek to save money within any of these categories, discretionary or not. Consider salaries and benefits, which make up the largest line-item of any school budget. Even though it's a nondiscretionary expense, there are important decisions districts make about how to allocate teachers and staff that will affect the budget.

Districts must decide how many teachers they will hire, and thus, how many students will be in each classroom—although sometimes state law dictates a maximum student-teacher ratio. Will some schools or grades have smaller class sizes than others within the same district?

Districts also must decide how many building leaders they will hire. Will every school have an assistant principal? Can one principal manage two school buildings? To cut costs, sometimes districts decide to eliminate guidance counselors, libraries, and teachers in subjects not seen as core to the academic curriculum, such as art and music.

Once all of the expenses are accounted for, often little money is left over to help build up a district's cash reserves, which can be tapped for unexpected expenses or during tough economic times. It's important to understand how much money your district has left over, how the savings rate has changed over the past few years, and what state requirements govern the amount or use of those reserves.

Process

How a district ends up with a final budget can vary greatly from district to district, and state to state—so it's important to understand the process and the timeline. Some states require public hearings and a vote by the community. In others,

TIPS:

Make an appointment to talk to your district's budget official, and ask him or her to walk you through the budget process and explain the budget documents.

Understand the documents you are given. Oftentimes, a district will draft a one- or two-page highlights document for the public showing very broad categories such as how much money is spent in "the classroom." Make sure you are reviewing the district's actual budget document.

If the budget does not show the change in spending from the prior school year, ask for the previous year's budget, or past several years, so you can compare spending in specific categories.

Learn the acronyms that often dominate budget discussions. "FTE," for example, is important to learn for talking about staffing. It stands for "full-time equivalent." A budget will likely fund a particular number of FTEs, or full-time positions, rather than individual teachers. This accounts for staff members who may not work full time. When looking at staffing levels, it's important to know whether a district is talking about individual teachers or FTEs.

Many states are starting to put information about school district budgets online. Look for this information, and compare how your district spends its money with other similar districts.

school boards approve budgets. Sometimes, school boards approve the budget after vigorous debates that result in changes to a district's spending plan; others seem to "rubber stamp" the budget with a perfunctory vote and no discussion.

Districts often start drafting the next school year's budget during the previous winter, ahead of the state budget. Districts will then finalize their budgets once the state determines how much money it can spend on K-12 education. Many district budgets must be approved by mid-May, in part because if teachers need to be laid off they must be given many months of notice; just how much notice is typically determined by state law or union contract.

Details, Details

A budget is merely a blueprint. It doesn't reflect actual spending that goes on day after day in a school district. It's important, from time to time, to examine expenditures—especially small-dollar contracts or other purchases that might fly under the radar.

Become familiar with what expenditures, especially those over a certain amount, have to be approved by the school board. And if there is a dollar-amount threshold that triggers school board scrutiny, be sure to examine spending that occurs just under that amount.

To that end, behind every budget is a much more detailed "chart of accounts." Consider this akin to your checking and savings accounts, which serve as a general ledger that tracks every dollar coming in, and every dollar going out. The chart of accounts would tell you, for example, how every penny set aside for "transportation" was spent. On paper, this ledger could amount to thousands of pages, so just know that it's there as a resource.

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More Questions to Ask

1.

How have revenue, reserves, and spending — including on specific programs — changed in recent years?

2.

While it's important to look at the overall increase or decrease in spending, it's also important to look at the variance. Is one particular program or expense getting a far bigger increase? Alternatively, what programs or expenses are getting a smaller increase, or cut?

3.

How much is being spent on contracts, what are those contracts for, and who is winning those contracts? Were they all awarded as part of a competitive bidding process to the lowest bidder? If you hear the term "no-bid contract" that should set off warning bells. Budget experts say contracting is generally the arena most vulnerable to corruption in any school district.

This guide was written by Education Week Assistant Editor Michele McNeil in consultation with John Musso, the executive director of the Association of School Business Officials International, and Michael Griffith, a school finance analyst who consults for the Education Commission of the States.